



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #792

Revised Agency Credential Fees (R&L)

[LFB 2001-03 Budget Summary: Pages 583 and 585, #7 and #8]

CURRENT LAW

The Department of Regulation and Licensing (R&L) is required by s. 440.03(9) of the statutes to include with each biennial budget request the results of its analysis of the administrative and enforcement costs that are attributable to the regulation of each occupation. Based on this review, R&L must recommend adjustments to the initial and renewal credential fees, when required, to reflect the proper apportionment of the agency's costs to each occupation. Biennially, as part of the Legislature's consideration of the agency's budget, any proposed fee adjustments are incorporated into the statutory schedule of initial and renewal fees.

Initial Credential Fees. For initial credentials, the license fee represents the shared, budgeted administrative costs attributable to new licensees. These administrative cost items include such activities as processing applications and determining eligibility for licensure. These total costs are then divided by the projected number of new licensees over the biennium in order to determine the amount of the fee. For the 1999-01 biennium, the initial license fee is set by statute at \$44.

Credential Renewal Fees. For credential renewals, an occupation's total renewal fee consists of two cost components: a fixed portion and a variable portion. The fixed portion represents the shared, budgeted administrative costs that are charged equally to all regulated occupations. These common shared-cost items are divided by the estimated number of renewing license holders over the biennium in order to determine the fixed cost component of the fee.. For the 1999-01 biennium, the fixed cost renewal fee component is \$44. The variable portion of the renewal fee consists of each licensed profession's share of direct enforcement costs attributed to it during the most recent prior fiscal year divided by the total number of licensees in the profession. For the 1999-01 biennium, the variable cost portion of the renewal fee adds from \$0 to \$299 to the cost of a license, depending on the enforcement experience of the occupation. The fixed renewal

costs and the apportioned variable costs for each occupation are then added to arrive at the fee amount to be included in a statutory schedule of renewal fees.

Evaluation of Current Methodologies Used to Set Initial and Renewal Credential Fees. No base level funding is currently budgeted for the evaluation of the Department's fee-setting procedures.

GOVERNOR

Adjust the initial and renewal license fee schedule for the various regulated occupations credentials, effective the later of September 1, 2001, or the first day of the second month after publication of the biennial budget act, as follows:

Initial Credential Fee. Increase the statutory amount of the initial credential fee from \$44 to \$56.

Credential Renewal Fees. Increase the fixed component of the biennial credential renewal fee from \$44 to \$53. Add a variable cost component, ranging from \$0 to \$299 per credential, based on the enforcement costs attributable to each occupation during the most recent prior fiscal year.

Evaluation of Current Methodologies Used to Set Initial and Renewal Credential Fees. Provide one-time funding of \$30,000 PR in 2001-02 to retain a consultant to study the current methodologies used by R&L to set initial and renewal credential fees each biennium.

The proposed fee amounts recommended by the Governor compared to current law fee amounts are summarized in the attachment to this paper.

DISCUSSION POINTS

Initial Credential Fee

1. The \$56 initial credential fee currently contained in the budget bill does not reflect the impact of the Governor's recommended changes to R&L's biennial budget request. The agency originally calculated an initial credential fee of \$56, based on the funding levels in its biennial budget request. DOA subsequently directed R&L to revise its fee study in light of the Governor's funding recommendations. The recalculated fee for the initial credential was determined to be \$53.

2. The Department's revised initial credential fee calculations have already incorporated the impact of the reduced fee on total fee revenues during the course of the biennium (a reduction of \$116,500 PR-REV); however, through an apparent oversight, the adjusted initial credential fee amount of \$53 was not included in the final draft of the biennial budget bill, as submitted by the Governor.

3. The Committee should correct the initial credential fee amount to reflect the Department's revised \$53 calculation, based on the Governor's recommended funding levels. Since the Department's initial credential fee revenue projections had previously been adjusted to reflect the \$53 fee, there is no adverse impact on the agency's projected revenue collections as a result of such a correction.

Proposal to Evaluate the Current Methodologies Used to Set Initial and Renewal Credential Fees

4. One-time funding of \$30,000 PR in 2001-02 is provided to the Department for the purpose of retaining a consultant to study the methodologies used by the agency to set initial and renewal credential fees each biennium. The Executive Budget Book states that the purpose of the consultant review is to ensure that the fee-setting methodology is documented and straightforward in its administration, represents the actual costs associated with the regulation of licensed professions and provides adequate revenues to support R&L's operations.

5. Currently, there is no estimate either of the actual number of hours that would be required for a consultant to undertake such a review or the projected hourly costs of the consultant.

6. R&L's current fee-setting methodology was the originally the result of a major review of credential fees directed by the Legislature as part of the 1983-85 biennial budget. The basic provisions of the current fee-setting procedure were developed by that study and were subsequently implemented as part of the 1985-87 biennial budget.

7. Since the implementation of the current R&L fee-setting methodology, these procedures have been the subject of at least two program evaluation audits in 1990 and in 1992 conducted by the Legislative Audit Bureau (LAB). Both of these audits contained extensive reviews of the Department's methodologies used in setting both credential and examination fees and made a number of specific recommendations concerning how the agency could better allocate the costs of regulation of the various licensed professions.

8. The LAB has a demonstrated familiarity and understanding of R&L's credential fees and the manner by which the agency allocates costs to establish those fees. Discussions with the LAB indicate that an additional evaluation of this type could be accommodated within the agency's current audit workload. Accordingly, as an alternative to the Governor's recommendation, the Committee could request that the Joint Legislative Audit Committee direct the LAB to conduct an evaluation of the methodologies used by R&L to ensure that they are documented and straightforward in administration, represent the actual costs associated with the regulation of licensed professions and provide adequate revenues to support the Department's operations. The Committee could request that the study be completed by June 30, 2002, so that R&L could implement any procedural changes recommended by the audit as part of its 2003-05 fee study.

9. Under this alternative, the Committee could delete the \$30,000 PR in 2001-02 proposed for a consultant's study of R&L's fee-setting methodologies.

10. The principal arguments for retaining the \$30,000 PR in 2001-02 would appear to be that: (a) the consultant could be hired on a basis that is convenient for the agency; and (b) the consultant could be hired in a timely fashion and would be focused solely on the evaluation of fee methodologies, thereby ensuring that the review of agency fee-setting procedures would be completed well before the Department's next biennial fee study. By contrast, the LAB's audit timetable could be affected by the other audit commitments of that agency. If the Committee believes that these considerations have merit, it could adopt the Governor's recommendation and provide \$30,000 PR in 2001-02 to R&L for the consultant study of current fee-setting methodologies.

Setting Credential Fees by Administrative Rule

14. Currently, after R&L completes its biennial fee study required by s. 440.03(9) of the statutes, adjustments to the initial credential fee or to any of the renewal credential fees require that the existing statutory fee schedule be amended to accomplish the necessary revisions.

15. When R&L undertook its major review during the 1983-85 biennium of how credential fees should be established, it developed the basic cost allocation methodologies that are currently in use. The agency subsequently proposed to implement a variable renewal fee structure as part of the 1985-87 biennial budget that would reflect the fact that there were different costs associated with regulating different professions.

16. The Department originally proposed that the establishment of the credential renewal fees and all future changes to them be accomplished by administrative rule. At the time the agency made this proposal, 1985 Wisconsin Act 182 had not been enacted. That legislation established the current procedures governing the Legislature's role in reviewing and approving executive branch agency administrative rules. Furthermore, all R&L fees had previously been established by statute. Consequently, the Legislature denied R&L's proposal to set credential fees by administrative rule and instead required any changes to be accomplished through amendment to a statutory schedule of fees.

17. The Committee could again consider the feasibility of authorizing R&L to set biennial initial and credential renewal fees by administrative rule. Current administrative rule review procedures already in place ensure that the Legislature would have oversight and review of any proposed credential fee changes. Additionally, under the administrative rules process the Department could generally be assured that the necessary fee changes could be in place each biennium by September 1, of odd-numbered years when the current statutory fee changes normally become effective.

18. It may be noted that as part of the proposed 2001-03 biennial budget, the Office of the Commissioner of Insurance (OCI) and the Department of Financial Institutions (DFI) are both requesting that current statutory fee provisions be modified so that future fee changes can be accomplished instead by administrative rules.

19. The OCI proposal would authorize the Commissioner to establish, by rule, fees paid to OCI that are currently set by statute. These fees include licensing fees, filing fees, listing fees, fees assessed for the preparation and furnishing of specified documents and fees assessed for certified copies of OCI documents. The DFI proposal would eliminate the current statutory fees for certain services provided by the Department and would specify that the fees could be established by rule.

20. If the Committee believes that R&L should be authorized to establish biennial changes to initial and credential renewal fees by rule, it could sunset the current statutory fees for these credentials on September 1, 2003, and provide that initial and renewal credential fees would be established by administrative rule thereafter. The Department could also be directed to incorporate any recommendations changes from the study conducted by the consultant or the LAB in the administrative rules that would first be effective on September 1, 2003.

21. Alternatively, if the Committee believes that credential fees for regulated professions should continue to be revised each biennium by amending the statutory schedule of fees, it could maintain current law.

ALTERNATIVES

A. Initial Credential Fees

1. Include a technical modification to set the statutory initial credential fee at the corrected \$53, based on the Governor's recommended funding levels, rather than the \$56 contained in the bill.

B. Proposal to Evaluate the Current Methodologies Used to Set Initial and Renewal Credential Fees.

1. Approve the Governor's recommendation to provide one-time funding of \$30,000 PR in 2001-02 to permit the Department to retain a consultant to study the methodologies used to set initial and renewal credential fees to ensure that the procedures are documented and straightforward in their administration, represent the actual costs associated with the regulation of licensed professions and provide adequate revenues to support R&L's operations.

2. Modify the Governor's recommendation by deleting \$30,000 PR in 2001-02 for the consultant study and the methodologies used by the Department to set initial and renewal credential fees each biennium. Request that the Joint Legislative Audit Committee direct the LAB to

conduct an evaluation of the methodologies used by R&L to ensure that they are documented and straightforward in administration, represent the actual costs associated with the regulation of licensed professions and provide adequate revenues to support the Department's operations and report its findings by June 30, 2002.

Alternative B2	PR
2001-03 FUNDING (Change to Bill)	- \$30,000

C. Setting Credential Fees by Administrative Rule

1. Sunset the current statutory fees for initial credentials and renewal credentials on September 1, 2003, and provide that initial and renewal credential fees would be established by administrative rule thereafter. Direct the Department to incorporate any recommendations changes from the study conducted by the consultant or the LAB in the administrative rules that would first be effective on September 1, 2003.

2. Maintain current law.

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ATTACHMENT 1

Current and Proposed Professional License Renewal Fees

Credential Type	Renewal Fee			Credential Type	Renewal Fee		
	Current	Proposed	Change		Current	Proposed	Change
Accountant, Certified Public	\$52	\$59	\$7	Home Inspector	\$44	\$53	\$9
Accountant, Public	44	53	9	Hydrologist, Professional	44	53	9
Accounting Corporation or Partnership	47	56	9	Hydrology Firm/Corporation	44	53	9
Acupuncturist	78	70	-8	Interior Designer	47	56	9
Aesthetician	58	87	29	Landscape Architect	51	56	5
Aesthetics Establishment	47	70	23	Land Surveyor	75	77	2
Aesthetics Instructor	47	70	23	Manicuring Establishment	44	53	9
Aesthetics School	115	115	0	Manicuring Instructor	44	53	9
Aesthetics Specialty School	44	53	9	Manicuring School	118	118	0
Appraiser, Certified General Real Estate	108	162	54	Manicuring Specialty School	44	53	9
				Manicurist	131	133	2
Appraiser, Certified Residential Real Estate	114	167	53				
Appraiser, Licensed Real Estate	134	185	51	Marriage and Family Therapist	82	84	2
Architect	49	60	11	Massage Therapist or Body Worker	44	53	9
Architectural/Engineering Corporation	47	70	23	Music Therapist	44	53	9
Art Therapist, Registered	44	53	9	Nurse, Advanced Practice Prescriber	69	73	4
Athletic Trainer	44	53	9	Nurse, Licensed Practical	54	69	15
Auction Company	47	56	9	Nurse, Registered	52	66	14
Auctioneer	135	174	39	Nurse-Midwife	47	70	23
Audiologist	100	106	6	Nursing Home Administrator	111	120	9
Barber or Cosmetologist	55	63	8	Occupational Therapist	49	59	10
				Occupational Therapy Assistant	48	62	14
Barbering or Cosmetology Establishment	47	56	9				
Barbering or Cosmetology Instructor	91	91	0	Optometrist	61	65	4
Barbering or Cosmetology Manager	68	71	3	Pharmacist	73	97	24
Barbering or Cosmetology School	138	138	0	Pharmacy	47	56	9
Cemetery Authority	343	343	0	Physical Therapist	51	62	11
Cemetery Preneed Seller	61	61	0	Physician	122	106	-16
Cemetery Salesperson	90	90	0	Physician Assistant	59	72	13
Chiropractor	139	168	29	Podiatrist	140	150	10
Counselor, Professional	63	76	13	Private Detective	89	101	12
Dance Therapist, Registered	44	53	9	Private Detective Agency*	47	56	9
				Private Security Person	49	53	4
Dental Hygienist	48	57	9				
Dentist	105	131	26	Psychologist	105	157	52
Designer of Engineering Systems	52	58	6	Real Estate Broker	109	128	19
Dietitian	47	56	9	Real Estate Business	57	56	-1
Drug Distributor	47	70	23	Real Estate Salesperson	79	83	4
Drug Manufacturer	47	70	23	Respiratory Care Practitioner	50	65	15
Electrologist	65	76	11	School Psychologist, Private Practice	69	103	34
Electrology Establishment	47	56	9	Social Worker	54	63	9
Electrology Instructor	86	86	0	Social Worker, Advanced Practice	53	70	17
Electrology School	71	71	0	Social Worker, Independent	55	58	3
				Social Worker, Independent Clinical	69	73	4
Electrology Specialty School	44	53	9				
Engineer, Professional	49	58	9	Soil Scientist	44	53	9
Fund-Raiser, Professional	91	93	2	Soil Science Firm	44	53	9
Fund-Raising Counsel	44	53	9	Speech-Language Pathologist	53	63	10
Funeral Director	140	135	-5	Time-Share Salesperson	103	119	16
Funeral Establishment	47	56	9	Veterinarian	95	105	10
Geologist, Professional	48	59	11	Veterinary Technician	48	58	10
Geology Firm/Corporation	44	53	9				
Hearing Instrument Specialist	100	106	6				